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March 25, 2013

The Honorable Dave Camp
Chairman, Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member, Committee on Ways & Means
U.S. House of Representatives
1106 Longworth House Office Building
Washington, DC 20515

Re: Tax Exempt Municipal Bonds

Dear Mr. Chairman and Ranking Member:

On behalf of the City of Norwalk, I would like to thank you for holding the recent hearing entitled "Tax Reform and Tax Provisions Affecting State and Local Governments." The City of Norwalk is very concerned about proposals to cap or eliminate the tax exempt status of municipal bonds.

The City of Norwalk utilizes tax-exempt municipal bonds to finance public infrastructure projects that generate jobs and promote economic growth in our community. Tax-exempt municipal bonds have allowed the City of Norwalk to complete recent water-related infrastructure improvements including the construction of a high-capacity water well; past projects include the Norwalk Arts & Sports Complex, Aquatic Pavilion, City Transit and Public Services facility and a City parking structure.

Over the past decade, state and local governments across the country have financed over \$1.65 trillion in public improvements, utilizing these bonds for schools, hospitals, transit and infrastructure for water, roads, and public power.

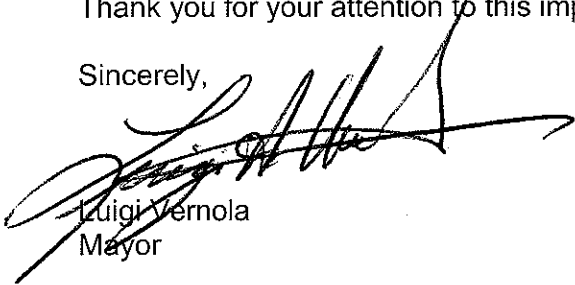
Proposals to limit or eliminate tax deduction for municipal bonds will increase the cost of borrowing for state and local governments. Last year's proposal by the Administration to cap the deduction at 28 percent would have increased bond financing costs by 70 basis points (.7 percent), requiring issuers to pay more in interest in order to attract the same investors.

While the federal government forgoes \$32 billion annually in lost tax receipts because of the exemption of municipal bonds, much of that loss would be transferred to state and local governments in increased borrowing costs without the exemption. Additionally, many projects (totaling \$179 billion in 2012) would become more expensive, delayed, or not built without tax-exempt municipal bonds.

Tax exempt municipal bonds are an effective means of attracting private investment to public projects. We strongly oppose any changes made to the tax exempt status of municipal bonds and would encourage you reject any such proposals in a future tax package the committee may consider.

Thank you for your attention to this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Luigi Vernola', written over the printed name and title.

Luigi Vernola
Mayor

Cc: Linda Sanchez, Congresswoman (FAX: 202-226-1012)
Ron Calderon, Senator (FAX: 916-327-8755)
Ian Calderon, Assemblymember (FAX: 916-319-2157)
Cristina Garcia, Assemblymember (FAX: 916-319-2158)
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